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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Note by the Secretary-General

Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the Assembly, the annexed report, conveyed to him by the Under-Secretary-General for Internal Oversight Services on the follow-up audit of the United Nations Mission for the Referendum in Western Sahara. The Secretary-General notes that for the most part the corrective action recommended in prior audits has been implemented. The Secretary-General is in agreement with the recommendations contained in the report.

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ANNEX

Report of the Office of Internal Oversight Services on the audit of the United Nations Mission for the Referendum in Western Sahara

I. INTRODUCTION

1. An audit of the United Nations Mission for the Referendum in Western Sahara (MINURSO) was carried out from 21 September to 14 October 1994 at MINURSO's headquarters in Laayoune and at selected team sites. The audit was focused on selected administrative, financial and management aspects of MINURSO and included an evaluation of the adequacy and effectiveness of the internal controls exercised by the Mission. Key personnel were interviewed and tests of records and procedures conducted. Further, implementation of recommendations of past audits was reviewed.

2. It was found that MINURSO had generally implemented corrective action recommended in prior audits. It was also found that the internal control system was adequate, but there were opportunities for improvement. A report on the findings and recommendations resulting from the audit was issued to the management on 22 December 1994. The findings and recommendations were followed up during the audit with MINURSO administration and thereafter with the Field Administration and Logistics Division of the Department of Peace-keeping Operations of the Secretariat. Major recommendations were further followed up during the subsequent audit visit to MINURSO between 13 and 18 February 1995. Later, in a communication dated 4 May 1995, the Field Administration and Logistics Division formally responded to the audit report. This report contains a summary of the major findings, recommendations and follow-up.

II. AUDIT FINDINGS AND RECOMMENDATIONS

A. Need for written agreement for voluntary contributions

1. Finding and recommendation

3. The Government of Morocco provides MINURSO with various goods and services (hotel accommodation and food, office space, trucks, workshop, etc.). The major portion of the value of these contributions is for accommodation and meals for MINURSO staff in the mission headquarters in Laayoune. The goods and services, for which no budgetary provision was made, are reported as voluntary contributions in the United Nations records. In addition to such voluntary contributions, Morocco, Algeria and the Frente Popular para la Liberación de Saguia el-Hamra y de Rio de Oro (Frente POLISARIO) provide voluntary contributions to MINURSO. Such contributions during the period from April to September 1994 amounted to US$ 8.3 million, US$ 486,500 and US$ 532,000 respectively.

4. In May-June 1994, the United Nations was approached by the Permanent Mission of Morocco to the United Nations on the subject of unpaid bills for the

Parador and al Massira hotels (two of four hotels in Laayoune where MINURSO staff members are accommodated). These unpaid bills were for the period from October 1992 to March 1994 in the amount 25,908,020 Moroccan dirhams (US$ 2,710,043 at the United Nations rate of exchange US$ 1.00 equivalent to DH 9.56).

5. The United Nations did not make any payments, and there was evidence that, in part (November 1992 to March 1993 and May to August 1993), payments for the hotel accommodations had been made by the Moroccan Government.

6. The lack of clarity in voluntary contribution arrangements presents a risk that the United Nations may be charged later on for services provided.

7. The audit team recommended that the Field Administration and Logistics Division of the Department of Peace-Keeping Operations immediately seek clear written arrangements for the voluntary contributions from Morocco, Algeria and the Frente POLISARIO.

2. Follow-up

8. In response to the recommendation, the Field Administration and Logistics Division confirmed written agreements with Morocco and Algeria. However, the agreements referred only to the lots and premises necessary for carrying out of the functions of MINURSO and the lodging of its members and to transport and communication facilities. The agreements on the provision of other facilities remained to be clarified.

B. Opportunity for improvement in the cashier's office

1. Finding and recommendation

9. While the security and other arrangements in place were found generally to be adequate for the amount of cash involved, further security precautions needed to be taken to ensure the integrity of the cashier's office in terms of theft, especially if it became necessary to maintain large sums of cash, and to improve control over cheques.

10. The MINURSO administration agreed with the observations and recommendations and initiated immediate action:

(a) To install iron bars across the window slot between the Finance Section and the cashier's office;

(b) To install a sound alarm system to protect against forced entry;

(c) To maintain exterior lighting around the cashier's office and to fix outages promptly;

(d) To maintain a register of voided cheques to account for gaps in the issuance of cheques;

(e) To mark clearly all voided cheques and cheque stubs "VOID" and attach voided cheques to respective cheque stubs.

2. Follow-up

11. During the follow-up, the audit team noted that the security of the cashier's office and the control over cheques had been improved as recommended. However, the sound alarm system was still being tested. The Field Administration and Logistics Division reported that additional steps had been taken to ensure appropriate arrangements for the safeguarding of cash and control over cheques, on a mission-wide basis.

C. Improvements needed in leave records and mission subsistence allowance computations

1. Finding

12. A review of personnel records revealed the following weaknesses in the processing of attendance data for the purpose of mission subsistence allowance computation:

(a) Mission subsistence allowance computations were solely on the basis of submitted leave plans, and not on the basis of attendance records;

(b) Leave plans were not cumulative and were not updated;

(c) Attendance records were not complete and up-to-date.

2. Follow-up

13. The Mission agreed with the observations and reported that immediate remedial action had been taken. During the follow-up, it was noted that the mission subsistence allowance computations were on the basis of attendance records and that past records were being updated.

D. Rest days for local staff improperly converted to cash, accumulated and taken in advance

1. Finding and recommendation

14. The rules and instructions governing the employment of local staff on special service agreement were not adhered to. Specifically, a review of 10 files of locally recruited staff showed improprieties in administering their rest days.

15. The audit team recommended and MINURSO administration agreed that the practice of converting rest days to cash payments, allowing the accumulation of rest days and the granting of rest days in advance should be discontinued.

2. Follow-up

16. The follow-up of the recommendation showed that the cash payments and granting of rest days in advance had been stopped and the carry-forward was allowed for only one month.

E. Excessive compensatory time-off provided to military observers and civilian police officers

1. Finding and recommendation

17. Contrary to guidance by United Nations Headquarters on the granting of compensatory time-off, the audit team found that:

(a) All military staff, including those individuals assigned to MINURSO headquarters in Laayoune, were granted six days of compensatory time-off each month (in Laayoune, the environment cannot be described as "a specially arduous spell of duty", as required for compensatory time-off);

(b) Military observers and civilian police officers were allowed to accumulate compensatory time-off;

(c) Staff were allowed to earn compensatory time-off even when they were on sick leave, annual leave, and compensatory time-off;

(d) Civilian police officers stationed at the team sites in the desert also visited Laayoune for a day or two of rest, and this was treated as official duty.

18. During the period from 1 January to 30 June 1994, in addition to United Nations leave, 8,953 days of compensatory time-off or about 36 days per military observer, were provided in MINURSO. Many observers received more than six days of compensatory time-off per month. Similarly, many civilian police officers also used more than six days of compensatory time-off per month.

19. The audit team recommended that the Field Administration and Logistics Division should promptly issue guidance for the proper use of and control over compensatory time-off.

2. Follow-up

20. During the follow-up audit visit it was noted that instructions had been issued on 10 February 1995 clarifying the entitlement and limiting the carry-forward of compensatory time-off in respect of civilian police officers to one month. The applicability of those instructions to the military observers remained to be clarified and effective controls were to be installed. The follow-up audit team was later informed by the Field Administration and Logistics Division that it was in the process of "evolving consistent set of compensatory time-off policy guidelines for use in all field missions". This should be expedited.

F. Delay of the in-survey of the Republic of Korea Medical Unit

1. Finding

21. As of 28 September 1994, in-survey had not been done in respect of the contingent-owned equipment which had been brought by the Republic of Korea Medical Unit in two shipments - 9 August and 2 September 1994.

2. Follow-up

22. The MINURSO administration reported that after the receipt of the audit observation the Republic of Korea Medical Unit had submitted the first part of the in-survey. Subsequently, the follow-up audit team was informed by the Field Administration and Logistics Division that a complete in-survey had been certified by MINURSO and forwarded to United Nations Headquarters on 28 October 1994. This had also been noted by the team earlier in the follow-up audit.

G. Need to provide more competition for local procurement

1. Finding

23. It was found that bids and quotes for local procurement were sought where possible, but in most cases there was only one vendor in Laayoune that could provide the goods or services needed. Although the Procurement Section had made substantial effort in trying to identify new vendors, competition did not exist in many cases. In such a market it was difficult to ensure that prices were fair and reasonable.

24. The procurement of spare parts for MINURSO's vehicles has not been satisfactory. The Chief Transport Officer told the auditors that unless the spare parts were received soon, a large part of the fleet would have to be taken off the road. The situation was such that spare parts were not generally available locally for MINURSO's vehicles which were mostly manufactured in Japan. There were similar problems in regard to generators and office equipment.

25. The basic cause of the problems was the lack of a competitive procurement infrastructure within the mission area. It was clear that competition could not improve and requisitions would not be satisfied until MINURSO's local procurement area was increased and commercial direct provisioning for vehicle spare parts was provided. The advantages of the direct provisioning system are that it shortens the delivery lead-time, limits stock levels, and reduces procurement costs.

26. The MINURSO administration agreed to follow up with the United Nations Headquarters for approval on the enlargement of the local procurement area to include procurement resources of other missions. It also agreed to raise requisitions to Headquarters for direct provisioning for vehicle spare parts.

2. Follow-up

27. The follow-up audit team was informed that the Field Administration and Logistics Division was in the process of reviewing the need to provide more competition for local procurement. The team subsequently noted that, on 8 February 1995, expansion of the procurement area, to include the procurement offices at UNPROFOR, the United Nations Truce Supervision Organization (UNTSO) and the United Nations Interim Force in Lebanon (UNIFIL), had been approved. Further, arrangement had been made for the direct provisioning from two major producers, Mercedes and Toyota. A similar arrangement with other producers was being pursued by MINURSO. In order to promote timeliness and cost-effectiveness of procurement of the spare parts, this also needed to be settled. In its communication dated 4 May 1995 (see para. 2 above), the Field Administration and Logistics Division reported that "all necessary action in regard to enlarging the local procurement area for the mission has been taken and final authorization has been given, effective 28 March 1995".

H. Scope for improvement in the management of food distribution

1. Finding and recommendation

28. During the visits of the auditors to the ration contractor's warehouse and several team sites, it was found that the food distribution system was adequate. However, several areas, where improvement could be made, were brought to the attention of the MINURSO administration. Particularly, it was observed that all of the Mission's supply of combat rations had exceeded their life expectancy. The audit team, therefore, recommended that the Field Administration and Logistics Division direct MINURSO to procure a new reserve of combat rations and ensure the consumption of existing rations before they became unfit for human consumption.

2. Follow-up

29. In response to the audit observations the MINURSO administration had ensured better storage of food at the contractor's warehouse and provided additional controls over the supply of food. Subsequently, the follow-up team was informed by the Field Administration and Logistics Division that a full report on combat ration stock holdings had been requested from MINURSO with a direction to quantify future requirements, so that a new supply of rations could be provided. This has to be ensured.

I. Operation of a bar by the military component to finance welfare operations

1. Finding and recommendation

30. A Military Welfare Section provides, among other things, entertainment facilities to military observers at team sites. It was noticed that certain

imports to finance the welfare operations did not comply with customs regulations. The audit team recommended that MINURSO define clearly the communal entertainment needs of its military observers stationed at isolated sites in the desert and ensure, with Headquarters approval, that the needs were satisfied. The team also recommended full compliance with the customs regulations in regard to all items imported into the mission area.

2. Follow-up

31. According to the Field Administration and Logistics Division, the MINURSO administration had reported that "instructions to comply with customs regulations are now enforced". That Division later informed the follow-up audit team that MINURSO had not been able to provide the military observers with entertainment equipment and that it would be in a position to make appropriate provision, should welfare funds be made available. The feasibility of making welfare funds available will, therefore, have to be considered.

J. Aircraft requirements not adequately analysed

1. Finding and recommendation

32. On 15 August 1994, the Force Commander sent an air support planning document to the Military Adviser, United Nations Headquarters. The planning document claimed that a detailed study of the situation had been made and possible options for air support evaluated. The auditors were, however, informed that no study was performed other than a mental exercise.

33. Since there was no available analysis of the type of mission that the air fleet was currently used for, the auditors analysed the types of missions flown in August 1994. In order to determine if MINURSO operated the most cost-effective mix of helicopter and fixed-wing aircraft, the auditors determined the number of hours that the current fleet of helicopters was used for surveillance and cargo/passenger movement during August 1994.

34. The planning document recommended a fifth helicopter for MINURSO's air fleet. The audit team found that the air requirements established by the planning document had not been substantiated. Firstly, when the auditors discussed aircraft needs with the Chief Medical Officer, he was of the opinion that Bell helicopters would not be suitable for the Medical Unit. The planning document had been initiated purportedly in part to address the air requirements of the Republic of Korea Medical Unit. Furthermore, according to MINURSO's planning document, 230 hours of helicopter reconnaissance were required monthly. The basis for the requirement was not documented and it was almost twice the number of hours that were flown in August 1994. It was also noted that the current helicopter fleet needed substantial maintenance because it was not particularly well suited for desert operations, especially for landing and take-off on dirt airstrips. Finally, air operations should focus on the political negotiations and the need for the Special Representative of the Secretary-General to fly to Tindouf, Algeria, on short notice. Helicopters are not suitable for this type of mission.

35. The audit team believed that there was inadequate expertise or an unwillingness in the missions to properly analyse their needs and make cost-effective decisions. Although MINURSO was receptive to the team's observations and re-evaluated its needs, the team felt that United Nations Headquarters had to become more involved in validating requirements of all missions and making the final decisions regarding the number and type of aircraft to be used.

36. The audit team recommended that the Field Administration and Logistics Division be adequately staffed to review and validate aircraft requirements, which should be done annually or whenever there were significant changes in a mission's operations.

2. Follow-up

37. While agreeing with the need for Headquarters to become more involved in validating the aircraft requirements of all missions, the Field Administration and Logistics Division stated that "since this recommendation would involve a major policy initiative, and would consequently entail a comprehensive review, we believe it more judicious to reserve our specific comments in this regard, pending the outcome of a complete evaluation". This has to be expedited.

K. Operation by MINURSO of an excessive number of vehicles

1. Finding and recommendation

38. While the audit team recognized the necessity of assigning vehicles to offices and individuals whose nature of duties required extensive use of transport, the ratio of vehicles to staff appeared to be excessive.

39. As of September 1994, MINURSO employed 450 civilian and military personnel, more than half of whom were stationed in Laayoune. MINURSO had about 130 cars/pickups assigned to its various offices in Laayoune (Identification Commission, civilian administration, military and civilian police). Moreover, the audit team noted that for the majority of staff, official transportation in MINURSO headquarters (Laayoune) was arranged between hotels and headquarters (a distance of about three quarters of a mile or slightly more than 1 kilometre) for work and lunch at established hours. This was done by pooling cars and, to some extent, by a shuttle bus. In the team's opinion, the more extensive use of two available 26-seater buses and about 20 minibuses should be considered for local official transportation of staff.

2. Follow-up

40. MINURSO Administration agreed with the recommendation and informed the follow-up audit team that the Vehicle Establishment Committee would re-evaluate operational requirements of each Section and, when warranted, adjust the assignment of vehicles.

41. During the follow-up audit visit, the auditors were informed that the assignment of vehicles would be adjusted with the proposed expansion of the Mission. However, the team was subsequently informed by the Field Administration and Logistics Division that an extraordinary Vehicle Establishment Committee was scheduled to review the existing vehicle allocations and that the Committee would re-evaluate the operational requirements of each section and, if warranted, would appropriately adjust the assignment of vehicles. This has to be done without further delay.

L. Driving at excessive speeds found to be the root cause of accidents and structural damage to MINURSO vehicles

1. Finding and recommendation

42. From the information provided to them by the Chief Transport Officer, the auditors noted that "nearly all damages are caused by speeding over the desert, causing sudden shocks and heavy vibrations throughout the suspension and chassis". It had been necessary to renew shock absorbers twice a month in each vehicle. Further the chassis had been completely exchanged on several Nissan vehicles, as the damage was so extensive, and major overhauls with body removals were common. The Chief Transport Officer added that he "could predict that on a five-year time span, all the vehicles would have suffered extreme metal fatigue, to the point that the vehicle would not be considered as roadworthy, if the vehicles underwent a metal fatigue crack test, and that also if this mission continued, a vehicle exchange plan will have to be implemented".

43. The audit team believed that the conditions set forth above were caused by a lack of discipline within MINURSO's military component. The team recommended, inter alia, that the Force Commander provide clear guidance to all the military observers and that MINURSO immediately explore the possibility of installing electronic trip monitors to record vehicle speeds.

2. Follow-up

44. Subsequently, it came to notice that between October 1992 and January 1995 the Force Commander had issued a number of specific instructions on speed control and safe driving. These instructions need to be strictly enforced and implementation monitored. Further, the possibility of installing electronic trip monitors should be expeditiously explored.